

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA



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Application of Pacific Gas and Electric
Company in its 2015 Nuclear
Decommissioning Cost Triennial
Proceeding (U39E).

Application 16-03-006
(Filed March 1, 2016)

**REPLY BRIEF
OF THE OFFICE OF RATEPAYER ADVOCATES**

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October 31, 2016

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I. INTRODUCTION

In accordance with Rule 13.11 of the Commission's Rules of Practice and Procedure, and the Scoping Memo in this proceeding, the Office of Ratepayer Advocates (ORA) files and serves this Reply Brief (Reply) addressing Pacific Gas and Electric Company's (PG&E) Opening Brief in its 2015 Nuclear Decommissioning Cost Triennial Proceeding (NDCTP).

PG&E filed its Opening Brief in this proceeding on October 14, 2016. In this Reply, ORA addresses two issues: the netting of spent nuclear fuel costs and PG&E's request for a contingency factor of 25%.

II. ARGUMENT

**A For Ratemaking Purposes, the Commission Should Require
PG&E to Net Spent Nuclear Fuel Management Costs Against
Expected U.S. Department of Energy (DOE) Reimbursements;
Otherwise Ratepayers Will be Overcharged.**

PG&E argues that "it would be imprudent to reduce the cost estimate for Diablo Canyon and Humboldt Bay Power Plant in anticipation of theoretical future [U.S.] DOE payments."¹ As stated in ORA's Opening Brief, for ratemaking purposes, PG&E should

¹ PG&E Opening Brief at 22.

net the cost of spent nuclear fuel management costs with future U.S. DOE payments.² ORA does not propose reducing the spent nuclear fuel management cost estimate, but simply proposes acknowledging that those costs will be offset by expected U.S. DOE reimbursements. Since PG&E admits that it will “certainly continue to pursue reimbursement for spent nuclear fuel costs,”³ the netting of costs with U.S. DOE reimbursements simply becomes a timing issue.

PG&E’s direct testimony demonstrates that the company has routinely received disbursements from the U.S. DOE and has received over \$336.8 million in DOE reimbursements since 2011.⁴ While the current U.S. DOE reimbursement agreement with PG&E is expected to end at the end of 2016, PG&E has admitted that it has had no indication from U.S. DOE that another extension would not be granted.⁵ For ratemaking purposes, the Commission should net the spent nuclear fuel management costs against U.S. DOE reimbursements.

B. The Commission Should Rely on PG&E’s expert TLG and Should Reduce the Contingency Factor From 25% to 17.4%

In its Opening Brief, PG&E reverts back to the same argument in its direct testimony that “ORA does not identify **any** reason why the Commission should modify its previous determination.”⁶ However, during hearings, PG&E did admit that ORA had provided reasons; PG&E simply disagreed with them.⁷

PG&E argued that ORA:

has not explained why the Commission should reverse its prior determination that 25 percent is the appropriate contingency for Diablo Canyon, particularly since PG&E has not yet developed a site specific

² ORA Opening Brief at 9.

³ PG&E Opening Brief at 22.

⁴ Ex. PGE-14 at 10-3.

⁵ 2 RT 162-163.

⁶ PG&E Opening Brief at 19 (emphasis added).

⁷ See, TR Vol. 1, p. 124:19-20.

decommissioning plan which incorporates actual prices based on bids or executed contracts.⁸

PG&E's argument falls flat when presented with the evidence. PG&E's own consultant recommended a 17.4% contingency factor, which ORA supported in its Direct Testimony and Opening Brief. As ORA stated:

the overall project contingency should depend on contingency factors that are calculated on a unit-by-unit and item-by-item basis; especially when PG&E admits it will prepare a site-specific decommissioning study for the 2018 NDCTP.²

At this point in time, the Commission should reject PG&E's request for a 25% contingency factor and instead authorize one of 17.4%. The Commission can revisit the contingency factor when PG&E prepares a site-specific decommissioning study for PG&E's 2018 NDCTP.

III. CONCLUSION

ORA respectfully requests that the Commission adopt the proposals made by ORA in this proceeding as set forth in its testimony and briefs.

Respectfully submitted,

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⁸ PG&E Opening Brief at 19.

² ORA Opening Brief, p. 5, and Ex. ORA-28, p. 10-13.